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STATE FOR EUR/NCE AARON JENSEN AND H MARK SMITH; MOSCOW
PLEASE PASS TO CODEL LANTOS CONTROL OFFICER

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SUBJECT: SCENESETTER FOR CODEL LANTOS VISIT TO ROMANIA,
FEBRUARY 23-24.

REF: BUCHAREST 00147

1.(SBU) Embassy Bucharest warmly welcomes your visit to Romania. Some things have not changed since you last visited Bucharest almost six months ago. Romania continues to show dynamic economic growth and the US-Romanian friendship and partnership in addressing common threats and interests is second to none. The domestic political environment, on the other hand, has deteriorated significantly since last August.

Within weeks of Romania's accession to the EU on January 1, the center-right coalition government, already hamstrung by sharp conflicts between President Traian Basescu's Democratic Party (PD) and Prime Minister Calin Pospescu Tariceanu's National Liberal Party (PNL), suddenly confronted a strong challenge from the opposition.

12. (SBU) The Social Democratic Party (PSD), led by former FM Mircea Geoana, and backed by other figures like former-President Ion Iliescu, accused Basescu of authoritarianism and various alleged violations of the Constitution. On February 12, the PSD filed a motion to suspend President Basescu from office for 30 days and force a popular referendum on his Presidency. There are apparently sufficient opposition votes in Parliament to make the threat a real one. Analysts see a distinct possibility of Romania entering a period of political instability and government paralysis.

13. (SBU) Parts of Basescu's political problems are self-made; he was described famously by one opposition politician as "a lone wolf" and his style is direct and confrontational. But he cannot be counted out of the fight. He retains a level of popular support that is unmatched by any other single politician in Romania. It remains to be seen, however, whether he can face down both his critics within the governing alliance (including a Prime Minister who has considerable authority as the head of government), his diehard opponents in Parliament on both the right and the left, and the business and political-media oligarchs who resent what they argue are Basescu's selective targeting of corruption investigations. (The President and his closest aides deny they interfere in the prosecutorial realm, insisting that judges and prosecutors are making independent judgments for the first time.) This same configuration of center-left politicians from the last government, former Communists, right-wing nationalists and regional "barons" are also trying to unseat the Minister of Justice, whose efforts to fight corruption and reform the judiciary have earned plaudits both in Brussels and in Washington.

14. (SBU) The bottom line is that just a month after its entry into the European Union, Romania is facing the prospect

of months of domestic political uncertainty and instability that could raise anew questions about the country's readiness to move beyond its legacy of post-Communist, oligarchic business and political interactions. The good news is that, for the moment, there is still broad acceptance in the political class and among Romanians as a whole, in the importance of Romania's strategic partnership with the U.S. So far, the current political instability has stayed within legal and constitutional bounds, however torrid the rhetoric and vivid the theatrics.

15. (SBU) Meanwhile, we have emphasized that, while we cannot comment on the constitutional debate itself, it is important that the political issues be worked out democratically, transparently and responsibly. We want to encourage Romania to build on the progress it has made in recent years in fighting corruption and strengthening the role of law. We want to discourage a turn of events politically which would leave irresponsible actors like the extremist head of the "Greater Romania" Party in a position to benefit from the turmoil. We want responsible political leadership to sit down together and talk about their future and consider the consequences of a political implosion and the unintended results that could follow. With one of the fastest growing economies in Europe, a talented workforce, and a strategic location on the Eastern rim of both NATO and the EU, Romania has a lot of positives with which to work, if only its political class can overcome its reliance on selfish, zero-sum politics.

16. (SBU) There is still much other work to do. Human rights concerns continue to linger, including discrimination against minorities, like the Hungarians, the Roma, homosexuals, along with a continuing legacy of anti-Semitism. The government recently passed a Law on Religions that provides government

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support only to well-established religions and discriminates against smaller groups by imposing burdensome registration requirements. There has been agonizingly slow movement on post-communist property restitution, especially affecting the Greek Catholic Church. While progress has been made in promoting broader acknowledgment of Romania's Holocaust history, anti-Semitism remains a rallying cry for certain right-wing politicians. Inter-country adoptions remain blocked under Romania's 2005 law.

16. (SBU) The government of President Traian Basescu is anchored on a strong strategic partnership with the United States, with a focus on maintaining an outward-looking transatlantic foreign policy. Romania continues to deploy around 2,000 troops abroad with NATO and Coalition-led operations in Afghanistan, Iraq, and the Balkans. Still, some political actors, including influential members of Tariceanu's Liberal Party, oppose the Romanian commitment in Iraq. You may recall last June when the Prime Minister, pushed by radicals in his Liberal Party who sought to embarrass Basescu, announced a plan to withdraw Romanian troops from Iraq without consulting the President or Romania's allies. While Basescu and Defense Minister Frunzaverde recently have confirmed Romania will continue to meet its commitments in Iraq, some still hope to foster a parliamentary debate over Romania's troop deployments. Your visit is an opportunity to emphasize that EU membership and a strong strategic partnership with the United States are perfectly compatible.

17. (SBU) While Romania has carefully fostered a close bilateral security and political relationship with the U.S., our economic and commercial relationship still has plenty of room to grow. Since 2000, the Romanian economy has accelerated markedly, enjoying four to eight percent growth each year. Recently, there have been encouraging signs for U.S. investment. Many American companies are in Romania and are doing well. Microsoft, Oracle, Timkin, Colgate Palmolive, Smithfield Foods and Hewlett Packard have all made

recent substantial investments here. Along with IBM, both Ford and GM are looking at further large investments in Romania. Although hurt by delays, misperceptions, and misunderstanding, construction continues on the nearly 3 billion USD Bechtel highway project through Transylvania.

18. (SBU) We continue to work closely with the government to help build industry's confidence in Romania's future. Following EU accession, however, the legacy of corruption and slow economic reforms continues to impede U.S. investment in Romania. Poor infrastructure and labor rigidities also contribute. You may wish to encourage GOR officials to work more closely with foreign investor groups like Amcham to adopt growth-promoting policies and to focus greater resources on infrastructure and stronger anti-corruption measures as a means of attracting greater foreign investor interest. The passage of investigation and accountability laws to address issues related to conflict of interest, especially for the stalled legislation establishing a National Integrity Agency, would do much to increase investors, and citizens, confidence in Romania. Your voice on the issue of combating corruption and promoting a Romania for everyone, and not just for economic and political elites, will have resonance throughout the nation.

19. (SBU) Finally, while we must be careful not to interfere in the ongoing political showdown between Basescu and the opposition -- with the Prime Minister operating somewhere in the middle -- you may have an excellent opportunity in your meetings to make the point that Romania needs political stability in order to continue to make progress. In particular, the efforts both we and Brussels have encouraged to foster justice reform and combat corruption need to keep moving forward. For the sake of its credibility as a NATO and EU member, and for its prospects in attracting investment to an economy that is only now starting to show real dynamism, Romania cannot afford to go back to a post-Communist, only semi-reformed future.

TAUBMAN